

Message Text

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73

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

NSC-07 SS-20 STR-08 CEA-02 ABF-01 DRC-01 /159 W

----- 073958

R 191300Z SEP 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 5655

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 7163

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 6187

1. THE CENTRAL BANK OF BRAZIL ANNOUNCED EFFECTIVE SEPTEMBER 18, THE EIGHTH DEVALUATION OF THE CRUZEIRO THIS YEAR. THE LATEST DEPRECIATION OF 1.57 PERCENT, WHICH CAME 34 DAYS AFTER THE LAST ONE, BRINGS THE CUMULATIVE DEVALUATION IN 1974 TO 14.72 PERCENT. NEW CRUZEIRO/DOLLAR RATES ARE 7.09 FOR BUY AND 7.130 FOR SELL.

2. COMMENT. THIS LATEST DEVALUATION CAME ON THE HEELS OF THE DECREASE IN THE REPAYMENT TERMS ON FOREIGN FINANCIAL LOANS TO FIVE YEARS FROM TEN YEARS (SEE BRASILIA 7050). WITH RESPECT TO THE EXCHANGE RATE, THE AUTHORITIES HAVE APPARENTLY INCREASED SOMEWHAT THE SPEED OF THE MINI-DEVALUATIONS THIS YEAR IN DIRECT RESPONSE TO THE ADVERSE DEVELOPMENTS ON THE BALANCE OF PAYMENTS FRONT. THE EIGHT DEVALUATIONS SO FAR THIS YEAR COMPARE WITH 5 LAST YEAR, 8 FOR THE ENTIRE LIMITED OFFICIAL USE

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YEAR 1972, AND 7 FOR THE ENTIRE YEAR 1971. BEFORE THE YEAR

IS OVER, WE MAY SEE THREE MORE DEVALUATIONS, GIVEN THE AVERAGE
INTERVAL BETWEEN CHANGES UP TO NOW, AND A CUMULATIVE DE-
VALUATION OF CLOSE TO 20 PERCENT.
CRIMMINS

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Message Attributes

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